

FINAL FINDINGS OF FACTS AND DECISIONS

Coal Exploration Permit: No. E-1401

The Division of Mining, Land and Water (Division) has reviewed the permit request submitted by Linc Energy Operations, Inc., 3000 C Street, Suite 103, Anchorage, Alaska, 99503; permit (E-1401). The Division makes the following Final Findings of Fact and Decision in accordance with 11 AAC 90.165.

1. An application for Coal Exploration Permit (File No. E-1401) was filed with the Division of Mining, Land and Water (DMLW) on April 1, 2011. A copy of the permit application along with a request for comments was distributed to Alaska Division of Fish and Game; Alaska Department of Environmental Conservation; Department of Natural Resources, DMLW Water Section; Mental Health Trust Land Office; and Office of Surface Mining Reclamation and Enforcement.
2. The proposed exploration area is approximately 7 miles Northwest of Tyonek, Alaska, including all or portions of:
 - Sections 3-7, 9-10, 15-17, 20-21, 29, T006N, R011W;
 - Sections 1, 4, 6, 7, 9, 14-16, 19-22, 27, 28, 30-34, T007, R011W;
 - Sections 20, 23 -26, 28, 32, 34, T008N, R011W;
 - Sections 1, 11-14, 21- 24, 27, 28, 33, 34, T012N, R012W;
 - Sections 19-21, 28-33, T013 N, R010W;
 - Sections 4-9, 16-21, 24, 25, 28-33 and 36, T013N, R011W;
 - Sections 4-28, 34-36, T013, R012W;
 - Sections 1-22, 29-32, T013, R013W;
 - Sections 1-27 34-36, T014, R012W;
 - Sections 1-3, 10-15, 22-27, 34-36, T 014N, R013W; Seward Meridian.

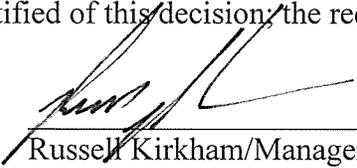
A total of 107,497.00 acres of land are within the Tyonek and Kenai exploration area. The Alaska Mental Health Trust Authority (MHT) is the owner of both the surface and subsurface rights.

3. The proposed exploration activities would consist of drilling up to five exploration holes. All drill sites will be reclaimed and all drill holes not retained as monitoring wells will be sealed immediately upon completion of work at the site. All equipment used on site will be removed upon completion of the exploration program.
4. A preliminary review by Division staff determined that an adjustment to the bond was necessary along with further project information. The further information included more detail about the drilling program, drill site reclamation and updates to background data. An updated permit application was received on August 27, 2014. The application was deemed complete on August 27, 2014. The application contains all the information required by 11 AAC 90.163 and is sufficient for this office to make a decision.
5. Public notice of this application began on July 23, 2014 and ended on August 22, 2014. Legal ads were placed in the Alaska Dispatch News and on the State of Alaska Public Notice Website on July 23. Also, on July 23, the notice was mailed directly to the Division's mailing list of affected persons and agencies.
6. During the comment period two comments were received in response to the public notice. Responses to comments concerning the proposed exploration program are located in an attached

document titled "Appendix A: Department of Natural Resources (DNR) Responses to Public Comments Concerning the Linc Energy Tyonek Exploration Permit Application".

7. The approved permit area is not within an area designated unsuitable for mining under AS 27.21.260.
8. The proposed coal exploration activities will not affect threatened or endangered species or their critical habitat.
9. Pursuant to 11 AAC 90.167(b) the Division has determined that the reclamation bond in the amount of \$95,372.53 is sufficient to cover the associated reclamation costs. Upon inspection and documentation that the drill holes are plugged, abandoned, meet the requirements of the permit and the requirements of 11 AAC 90.303 the bond portion for each drill hole can be released. The remaining portion of the reclamation bond for each drill hole will be released after follow-up evaluation one year after the last seeding.
10. The activities proposed meet the requirements of AS 27.21.200 and 11 AAC 90.163 through 11 AAC 90.167, subject to the stipulations of the permit, which ensure that the exploration and reclamation will comply with these requirements. The exploration permit is approved for a two year period that expires on September 12, 2016.
11. Appropriate water use authorization must be acquired prior to withdrawing any water.
12. In addition to an approval of this coal exploration permit by the Division Coal Regulatory Program, the project was also subject to review for Fish Habitat Permits from the Alaska Department of Fish and Game and Temporary Water Use permits from the DMLW Water Section.

The Permit and Final Findings of Facts and Decision are available for review at the Alaska Department of Natural Resources, Division of Mining, Land and Water, 550 W. 7th Ave., Suite 920, Anchorage, AK 99501-3577, or on our website (www.dnr.state.ak.us/mlw/mining/index.htm). The applicant or a person with an interest that is or may be adversely affected by this decision may request in writing a hearing under AS 27.21.150 to review the reasons for this decision. The request for a hearing may be mailed or delivered to Joe Balash, Commissioner, Department of Natural Resources, 550 West 7th Avenue, Suite 1400, Anchorage, AK 99501; faxed to 907.269.8918; or sent by electronic mail to dnr.appeals@alaska.gov. The request for a hearing must be received within 30 days after the applicant is notified of this decision; the request must be received by 5:00 p.m. of the 30th day.



Russell Kirkham/Manager
Coal Regulatory Program

Date

**Appendix A: Department of Natural Resources (DNR) Responses to Public
Comments Concerning
The Linc Energy Tyonek Exploration Permit application**

Following are the responses to the comments received from the public in writing during the public comment period (July 23, 2014 to August 22, 2014).

The DNR received a total of two comment submittals via email. Of the two comments submitted, one comment was from State Agency and one was from a Tribal Council. There were no comments from Federal Agencies. The table below breaks down comments based where the comments originated.

General Area*	0
Mat-Su Area	0
Fairbanks-Healy	0
Kenai	0
State Wide	0
Out of State	0
Non-Government Organizations	0
Community and Tribal Councils	1
Borough Government	0
State Agencies	1
Federal Agencies	0
Total	2

Responses to Comments:

Comment: Concerns were raised that it is inappropriate to use water from kettle ponds that will not recharge for many months or even years. The detriment to the natural environment of the kettle ponds may be extreme.

Response: Temporary Water Use Permits (TWUP) are issued by the Water Resources Section within the DMLW. Standard conditions in TWUPs include provisions to monitor water withdrawals on a daily and monthly basis and to prevent sedimentation, erosion and disruptions to water bodies that could cause water quality degradation. During exploration activities, inspections by the DMLW Coal Regulatory Program will also monitor water withdraw area to ensure that there are no adverse impacts to the hydrologic balance.

The Division has carefully reviewed the proposed exploration plan and has determined that the impacts to the environment from the proposed activity is within the scope allowed by 11 AAC 90.165 and 11 AAC 90.167.

Comment: There is a large, known cultural site in the vicinity of the project area. DNR must contact the U.S. Army Engineers or the Alaska's State Historic Preservation Office (SHPO) before approving any exploration activities. The plan of action falls woefully short of meeting the SHPO guidelines for handling the 'encounter' of historic sites. The commenter does not feel that Linc Energy is properly complying with the acts, including the requirements of Section 106 of the NHPA.

Response: The proposed application has been reviewed by SHPO. On July 30, 2014, SHPO sent out a Memorandum that indicates that there are multiple recorded cultural resource sites within the legal description of the proposed exploration area. SHPO requests that the sites listed on the Memorandum are not disturbed during exploration activities. Linc Energy has been directed to update the application based on this Memorandum from SHPO.

Section 106 of the NHPA is applicable whenever a project involves federal funding, federal jurisdiction or federal authorization. This project does not involve federal funding or a federal authorization that triggers a Section 106 consultation. MHT's interactions with SHPO are beyond the Division's scope of review of the proposed exploration application under 11 AAC 90.

Comment: A comment was submitted indicating concern over the inadequacy of the bond amount to cover reclamation costs.

Response: An itemized list of reclamation costs was provided in Section 8.5 of the Application. After review of the bond amount the Division finds that the bond amount of \$95,372.53 is adequate under 11 AAC 90.167(b) to cover the reclamation cost as described in Section 8.0 Exploration and Reclamation Methods. The Division found that this bond amount will be reviewed throughout the life of the permit (11 AAC 90.205) and will be updated to reflect changes to the drilling and reclamation plan and changing fiscal environment.